

Message Text

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E.O. 11652:N/A

TAGS: ENRG

SUBJECT: IEA - GOVERNING BOARD DISCUSSION OF RELATIONS
WITH PRODUCERS

PASS ASSISTANT SECRETARY ENDERS

1. AGENDA FOR GOVERNING BOARD DISCUSSION INCLUDES ITEM ON
APPROACHES FOR REOPENING DIALOGUE, TO FOLLOW UP ON DIS-
CUSSION AT JUNE 11 MEETING AND TO CONFIRM CONCLUSIONS IN
DAVIGNON'S PAPER. LANTZKE INDICATED THAT THIS SUBJECT,
ALONG WITH DISCUSSION OF RESULTS OF BILATERALS BY US,
EC AND JAPAN WITH GROUP OF 7 AND INITIAL COMMENTS ON
OBJECTIVES OF DIALOGUE (PARTICULARLY ON ENERGY) IN LIGHT
OF DRAFT PREPARED BY LANTZKE GROUP ARE LIKELY TO BE
TAKEN UP IN GB LUNCH FOR HEADS OF DELEGATION.

2. PREPARATION FOR PRODUCER/CONSUMER DIALOGUE (IEA/GB
(75)42) - DAVIGNON INDICATED HE PLANNED TO CIRCULATE
REDRAFTED CONCLUSIONS EARLIER THIS WEEK IN LIGHT OF
COMMENTS BY US AND OTHERS. HE HAS NOT YET DONE SO, AND
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WILL PROBABLY CIRCULATE THEM AT THIS MEETING.

HE DID NOT COMMENT ON US ARGUMENT FOR STRENGTHENING
LANGUAGE REGARDING ROLE OF IEA IN COORDINATION OF OVERALL

PREPARATIONS FOR RESUMPTION OF THE DIALOGUE. HE WAS HESITANT TO REMOVE AMBIGUITY ON ISSUE OF RESUMING PREPCON IN SAME FORMAT VERSUS MOVING TO LARGER MEETING. HE IS PROBABLY REFLECTING CONTINUING FRENCH DOUBT THAT OPEC/LDC GROUP WOULD APPROVE US PROPOSAL FOR ESTABLISHING THREE COMMISSIONS BECAUSE OF DOUBT THAT WE ARE WILLING TO GIVE OTHER TWO COMMISSIONS SAME POLITICAL PRIORITY AS ONE FOR ENERGY, AND SURPRISINGLY NEGATIVE CANADIAN REACTION TO SEVERAL KEY POINTS IN HIS DRAFT. FYI: YOU MAY WISH TO DISCUSS CANADIAN RESERVATIONS ON HARMONIZATION OF POLICIES ON COMMODITIES AND DEVELOPMENT IN IEA OR OECD, ON ESTABLISHMENT OF THREE COMMISSIONS AND ON IEA INVOLVEMENT IN PREPARATIONS FOR RESUMPTION OF THE DIALOGUE WITH CANADIAN DELEGATION. END FYI.

3. SECRETARIAT PAPER ON PRODUCER/CONSUMER DIALOGUE - REVISED DRAFT PREPARED AT JUNE 23-24 MUNICH MEETING ON SUBSTANTIVE ENERGY ISSUES FOR PRODUCER/CONSUMER DIALOGUE WILL BE CIRCULATED AT THIS MEETING. DAVIGNON IS LIKELY TO ASK FOR ORAL COMMENTS ON INITIAL SECTIONS DEALING WITH BROAD OBJECTIVES FOR THE DIALOGUE AND "LINES OF ACTION TO ACHIEVE THE ENERGY OBJECTIVES." MORE DETAILED WRITTEN COMMENTS ON ENTIRE PAPER WILL BE REQUIRED SUBSEQUENTLY. PARAS 4, 5 AND 6 BELOW SET OUT TEXTS OF PORTIONS OF SECRETARIAT PAPER ON WHICH ORAL COMMENTS ARE LIKELY TO BE REQUIRED AT THIS MEETING.

4. INTRODUCTION - IN PREPARING FOR THE DIALOGUE, MEMBER COUNTRIES ARE GUIDED BY THE FOLLOWING GENERAL CONSIDERATIONS:

- (A) RECOGNITION OF THE PRINCIPLE OF INTERDEPENDENCE AND OF THE NECESSITY FOR COOPERATION IN ALL ASPECTS OF INTERNATIONAL ECONOMIC RELATIONS;
 - (B) ACKNOWLEDGEMENT THAT THE PROPOSED DIALOGUE, IN ORDER TO BE FULLY RESPONSIVE TO THE NEEDS OF ALL CONCERNED, MUST ENCOMPASS ISSUES OF CRUCIAL IMPORTANCE TO BOTH
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DEVELOPING AND DEVELOPED COUNTRIES;

- (C) THE PROCEDURAL FORMAT DEVISED FOR THE DIALOGUE SHOULD BE SUCH AS TO PERMIT FULL CONSIDERATION OF THE CRUCIAL ISSUES, AS WELL AS TO MONITOR AND GIVE FRESH IMPETUS TO THE SUBSTANTIAL WORK ON CERTAIN OF THESE ISSUES TAKING PLACE IN OTHER FORA;

- (D) IN THE COURSE OF PREPARATIONS ON SUBSTANTIVE DISCUSSIONS, A CONFRONTATIONAL ATMOSPHERE SHOULD BE AVOIDED; HOWEVER, ECONOMIC REALITIES SHOULD BE UNAMBIGUOUSLY STATED AND THE INTERESTS AND EXPECTATIONS OF INDUSTRIALIZED COUNTRIES SHOULD BE KEPT CLEARLY IN VIEW;

- (E) A PRIMARY CONCERN SHOULD BE TO RESOLVE ENERGY QUESTIONS INITIATIVES WHICH ARE BEING PURSUED IN THE CONTEXT OF

THE DIALOGUE, OR IN OTHER FORA, CONCERNING RAW MATERIALS, DEVELOPMENT AND MONETARY PROBLEMS, IN MANY CASES HAVE A DIRECT RELATION TO ENERGY QUESTIONS. FOR THIS REASON, THE EXTENT TO WHICH THESE TOPICS SHOULD BE THOROUGHLY ANALYSED AND GIVEN NEW IMPETUS AS NEEDED IS REFERRED TO IN THIS PAPER.

(PARA E WILL BE REDRAFTED TO INTRODUCE THE CONCEPT OF PARITY BETWEEN TREATMENT OF ENERGY AND RAW MATERIALS AND DEVELOPMENT IN PAPER THAT WILL BE CIRCULATED AT MEETING.)

(F) ALTHOUGH DELIBERATIONS ON THE RESPECTIVE ISSUES MAY BE CARRIED ON WITHIN THE SAME PROCEDURAL SETTING, THEY SHOULD NOT NECESSARILY BE LINKED TO A COMMON TIMETABLE FOR ACHIEVING CONSTRUCTIVE RESULTS;

(G) A SUBSTANTIVE (AS OPPOSED TO PHILOSOPHICAL) ASSESSMENT AND UNDERSTANDING OF CONCRETE PROBLEMS WILL BE ESSENTIAL IN ORDER TO:

- (1) IDENTIFY COMMON CONCERNS AND INTERESTS;
 - (2) INVOLVE OIL PRODUCERS - AS EVERYBODY ELSE - IN RESPONSIBILITY FOR IMPROVEMENT OF THE EXISTING WORLD ECONOMIC SITUATION;
 - (3) ESTABLISH THE NEED FOR COMMON ACTION AND COOPERATION IN CONCRETE AREAS;
 - (4) ARRIVE AT PRACTICAL MEASURES FOR DEALING WITH PARTICULAR PROBLEMS;
 - (5) CREATE A FRAMEWORK FOR PURSUING NEGOTIATIONS THAT PERMITS FLEXIBLE TREATMENT OF THE ISSUES RAISED.
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(H) AN APPROACH TO A COMMON UNDERSTANDING, CREATING THE BASIS FOR CONCRETE RESULTS, WILL TAKE SOME TIME. IMMEDIATE EXPECTATIONS OF ATTAINING SPECIFIC RESULTS AT ANY COST SHOULD BE AVOIDED.

5. BROAD OBJECTIVES FOR THE DIALOGUE - OVERALL INTERESTS AT STAKE.

A CONTINUING DIALOGUE BETWEEN OIL PRODUCING AND OIL CONSUMING COUNTRIES ON QUESTIONS OF ENERGY, RAW MATERIALS AND DEVELOPMENT SHOULD BE DIRECTED TOWARD THE GOAL OF EXPANDING THE WORLD ECONOMY AND ACCELERATED ECONOMIC DEVELOPMENT.

1. THE BROAD OBJECTIVES FOR THE DIALOGUE SHOULD BE:

(A) GENERAL OBJECTIVES:

- (I) TO STRENGTHEN ECONOMIC RELATIONS BETWEEN INDUSTRIALIZED COUNTRIES AND DEVELOPING COUNTRIES, WHETHER OIL PRODUCING OR NOT, AND TO PROMOTE COOPERATION ON SUBJECTS OF INTEREST TO EACH OF THEM, SO AS TO ENSURE AN EQUITABLE AND BALANCED DEVELOPMENT OF THE WORLD ECONOMY;
- (II) TO SMOOTH THE TRANSITION FROM THE PRESENT UNSETTLED ECONOMIC SITUATION TO FUTURE LONG-TERM EQUILIBRIUM IN SUPPLY AND DEMAND FOR ENERGY AND OTHER RAW MATERIALS,

AS WELL AS TO PROMOTE THE ECONOMIC DEVELOPMENT OF LESS-DEVELOPED COUNTRIES;

(III) TO DEVISE WAYS OF MAKING PROGRESS, IN TERMS OF CONCRETE, PRACTICAL RESULTS, IN THE THREE KEY FIELDS OF ENERGY, RAW MATERIALS AND DEVELOPMENT;

(IV) TO TREAT THESE THREE ISSUES ON A PARITY, BUT WITHOUT LINKING THEM SO CLOSELY AS TO MAKE PROGRESS ON ANY ONE OF THEM DEPENDENT ON THE RESOLUTION OF THE OTHERS.

(B) ENERGY OBJECTIVES:

(I) TO MODERATE THE STRESSES THAT HAVE RESULTED IN THE GENERAL ECONOMIC SITUATION FROM ABRUPT CHANGES IN THE STRUCTURE OF THE INTERNATIONAL OIL MARKET;

(II) TO DEVELOP MEANS FOR RESTORING STABILITY TO THE INTERNATIONAL OIL MARKET;

(III) TO FACILITATE THE RATIONAL AND EQUITABLE DEVELOPMENT AND USE OF WORLD ENERGY SUPPLIES;

(IV) TO ESTABLISH LONG-TERM EQUILIBRIUM IN WORLD-WIDE ENERGY SUPPLY AND DEMAND;

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(V) TO IDENTIFY THE ASPECTS OF RAW MATERIALS AND DEVELOPMENT WHICH MIGHT CONTRIBUTE TO SOLUTIONS OF, OR WHICH OTHERWISE RELATE TO, ENERGY PROBLEMS, AND TO MONITOR WORK BEING DONE ELSEWHERE AS TO THOSE ASPECTS.

2. IN THE COURSE OF THE DIALOGUE, EFFORTS SHOULD BE MADE TO IDENTIFY INTERESTS WHICH ARE COMMON OR SHARED (THOUGH PERHAPS FOR DIFFERENT REASONS) OR CONVERGING, AND WHICH, THEREFORE, CAN BE PURSUED COOPERATIVELY; AND TO IDENTIFY INTERESTS WHICH ARE (OR APPEAR TO BE) OPPOSED BUT WHICH MIGHT BE RECONCILED THROUGH A COOPERATIVE APPROACH.

6. LINES OF ACTION TO ACHIEVE THE ENERGY OBJECTIVES. WITH RESPECT TO THE ENERGY OBJECTIVES REFERRED TO IN I (BROAD OBJECTIVES) ABOVE, WE SHOULD TRY TO ACHIEVE THE FOLLOWING OPERATIONAL RESULTS FROM THE DIALOGUE:

1. MANNER OF APPROACHING FUTURE WORK

(A) BROAD TERMS OF REFERENCE SHOULD BE DEVELOPED WHICH DO NOT PREJUDGE THE SUBSTANTIVE ISSUES INVOLVED, BUT PERMIT DISCUSSION OF ANY SUBJECT WHICH ANY PARTY BELIEVES TO BE RELEVANT.

(B) IDENTIFICATION OF OTHER ISSUES WHICH ARE OF IMPORTANCE TO THE ENERGY OBJECTIVES AND WHICH ARE BEING DEALT WITH ELSEWHERE, IN ORDER TO PERMIT ADEQUATE MONITORING.

2. ANALYSIS AND AGREED DIAGNOSIS OF THE EXISTING SITUATION

(A) THE GENERAL ECONOMIC SITUATION, IN ORDER TO PROVIDE A BACKGROUND FOR DETAILED DISCUSSION OF SPECIFIC ENERGY ISSUES, AND TO INDICATE THE GENERAL DIRECTION IN WHICH SOLUTIONS SHOULD BE FOUND; AND

(B) THE ENERGY SITUATION, IN ORDER TO ASSESS ITS TRUE IMPACT, PRESENT AND PROJECTED, ON VARIOUS PARTIES,

ITS PROBLEMS AND DANGERS FOR ALL PARTIES, AND THE REFINEMENTS OF THE REAL SHORT AND LONG TERM INTERESTS OF EACH PARTY.

3. IDENTIFICATION OF ACTIONS BEING TAKEN

(A) BY INDIVIDUAL COUNTRIES;

(B) BY GROUPS OF COUNTRIES;

(C) BY INTERNATIONAL INSTITUTIONS.

4. SHARED RESPONSIBILITY

ESTABLISHMENT OF THE PRINCIPLE THAT ALL PARTICIPANTS

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IN THE WORLD ECONOMY SHARE RESPONSIBILITY FOR IMPROVING THE WORLD ENERGY SITUATION.

5. CONTRIBUTIONS BY EACH PARTY

EXAMINATION OF POSSIBLE CONTRIBUTIONS WHICH EACH COUNTRY OR GROUP OF COUNTRIES COULD MAKE IN CARRYING OUT THAT SHARED RESPONSIBILITY:

-- IN THE CONTEXT OF THE ENERGY PORTION OF THE DIALOGUE

ITSELF AND ACTIONS GROWING OUT OF IT;

-- IN OTHER PORTIONS OF THE DIALOGUE;

-- IN OTHER INTERNATIONAL FORA.

7. TALKING POINTS ON SECTION I (BROAD OBJECTIVES).

-- OVERALL PURPOSE OF THE DIALOGUE IS TO ENSURE CONTINUING EXPANSION OF WORLD ECONOMY AND ACCELERATION OF ECONOMIC DEVELOPMENT IN WAYS THAT PROVIDE BENEFITS TO BOTH DEVELOPING AND DEVELOPED COUNTRIES.

-- SHOULD EMPHASIZE NEED FOR ACTION TO TRANSFORM CURRENT UNSETTLED ECONOMIC SITUATION TOWARD FUTURE EQUILIBRIUM AS WELL AS TO SMOOTH TRANSITION FROM ONE STAGE TO ANOTHER.

-- TO DEMONSTRATE DETERMINATION OF OIL CONSUMERS TO RESTORE EQUITABLE AND STABLE CONDITIONS IN ENERGY MARKETS AND THEIR DESIRE TO COOPERATE WITH OIL PRODUCERS IN ACHIEVING THIS OBJECTIVE.

8. TALKING POINTS ON SECTION II (LINE OF ACTION TO ACHIEVE ENERGY OBJECTIVES).

-- WE SHOULD RECOGNIZE LIKELIHOOD THAT THERE WILL BE LITTLE PROGRESS, AT LEAST INITIALLY, ON BASIC ISSUES OF PRICE AND SECURITY OF SUPPLY IN ENERGY DIALOGUE.

-- THEREFORE, PRIMARY FOCUS OF OUR EFFORTS SHOULD BE TO DEVELOP A PROCESS WHICH WILL, OVER TIME, ENSURE THAT OIL PRODUCERS TAKE MORE RESPONSIBLE ROLE IN WORLD ECONOMIC SYSTEM AND ARE DRAWN INTO IT WITH MINIMUM AMOUNT OF STRAIN.

-- AS PRODUCERS DEVELOP BROADER PERSPECTIVE ON RELATIONSHIP OF THEIR ECONOMIC DEVELOPMENT TO HEALTHY WORLD ECONOMY AND BECOME CONVINCED OF CONSUMER DETERMINATION TO RESTORE EQUITY AND STABILITY TO WORLD OIL MARKET, THEY WILL BECOME LIKELY TO DEAL CONSTRUCTIVELY AND COOPERATIVELY WITH CRITICAL PRICE AND SUPPLY ISSUES.

9. LANTZKE INDICATED DURING MUNICH DRAFTING SESSION THAT
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SECRETARIAT PAPER IS DESIGNED TO FOCUS ON SUBSTANTIVE
ISSUES IN DIALOGUE. FOR THIS REASON, HE RESISTED EFFORTS
TO HAVE FOOTNOTE (CONTAINED IN EARLIER DRAFT) REFERRING
TO US PROPOSAL FOR ESTABLISHMENT OF THREE COMMISSIONS
INCORPORATED INTO BODY OF PAPER. HE HAS NOW DEALT WITH
THIS IN COVER NOTE WITH STATEMENT: "THIS PAPER MAKES NO
ATTEMPT TO DEAL WITH PROCEDURAL ISSUES RELATED TO THE
PREPARATION OF RESUMPTION OF THE DIALOGUE. PRIOR AGREE--
MENTON THE STRUCTURAL ASPECTS OF THE FORM IN WHICH THE
DIALOGUE WILL BE RESUMED WILL BE PROPERLY PURSUED THROUGH
BILATERAL CONTACTS (SEE IEA/GB (75)42).

YOU MAY WISH TO RAISE THIS ISSUE, NOTING THAT SEC-
TIONS (C) AND (F) OF THE INTRODUCTION COULD BE COMBINED
AND INCLUDE A STATEMENT REFERRING TO THE APPROVAL BY
THE GOVERNING BOARD AT ITS JUNE 11 MEETING OF THE US
PROPOSAL. INGERSOLL

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